



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

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CONFIDENTIAL

American Embassy,
Tokyo, January 22, 1953.

Bureau of
FAR EASTERN AFFAIRS
MAR 27 1953
ASSISTANT SECRETARY
Department of State

My dear John: (see)

There is enclosed a copy of the letter which Duke Diehl has sent to Randy Burgess. As you know the restriction imposed upon foreign banks by the state of New York has long been a source of embarrassment to the United States in the negotiation of the Treaty of Friendship, Commerce and Navigation. The restrictions on banking activities which we have been forced to recognize in such treaties have operated to the disadvantage of American banks with foreign branches. Although we expect a satisfactory solution, this matter has increased the difficulty of negotiation in the case of Japan where the National City Bank, the Chase National Bank, and the Bank of America all maintain branches doing a general banking business.

It occurred to Duke Diehl and me that the new administration because of its composition, afford an unusual opportunity to seek an amendment to the New York Banking Law which would remove discrimination against foreign banks in that state. The President certainly on cordial terms with Governor Dewey and so, of course, is Secretary Dulles. Randy Burgess, until recently a principal executive of the National City, has a thorough comprehension of the importance of the matter. May I suggest, therefore, that you may wish to consider the possibility of making representations to Governor Dewey through whatever you believe to be the most appropriate channels. I have discussed this matter with the Ambassador who concurs in the suggestion for your consideration.

Please accept my cordial regards and best wishes. I hope before many months roll by you will be visiting us again.

Sincerely yours,

Frank
Frank A. Waring
Counselor of Embassy
for Economic Affairs

Enc.

The Honorable

John M. Allison,
Assistant Secretary of State
for Far Eastern Affairs,
Department of State,
Washington, D.C.

DEPARTMENT OF STATE A/CDC/MR

REVIEWED BY *[Signature]* DATE 9-30-82

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C O P Y

Tokyo, January 12, 1953

My dear Mr. Burgess:

Officers of the American Embassy in Japan are currently meeting with representatives of the Japanese Government in preliminary negotiation of a Treaty of Friendship, Commerce and Navigation. Areas of difference have been narrowed to a slim margin and there appears to be only one problem of serious magnitude standing in the way of a successful treaty, namely, Article VII, Paragraph 2, which reads:

"Each Party reserves the right to limit the extent to which aliens may within its territories establish, acquire interests in, or carry on public utilities enterprises or enterprises engaged in shipbuilding, air or water transport, banking involving depository or fiduciary functions, or the exploitation of land or other natural resources. However, new limitations imposed by either Party upon the extent to which aliens are accorded national treatment, with respect to carrying on such activities within its territories shall not be applied as against enterprises which are engaged in such activities therein at the time such new limitations are adopted and which are owned or controlled by nationals and companies of the other Party. Moreover, neither Party shall deny to transportation, communications and banking companies of the other Party the right to maintain branches and agencies to perform functions necessary for essentially international operations in which they are permitted to engage."

The Japanese have thus far refused to accept the provisions contained in sentence 2, above, alleging that under present conditions it is not reciprocal in that American banks are permitted to accept deposits in Japan whereas these privileges are denied Japanese banks under the New York Banking Law. Acceptance of the treaty would preclude Japan from threatening to withdraw existing

privileges

privileges even though reciprocal treatment for Japanese banks is denied in New York. The American negotiators have stated with categorical firmness that they cannot agree to treaty language which would permit the Japanese Government to impose new and discriminatory limitations on activities (including banking) now being carried on by American institutions in Japan.

It appears highly desirable, in the best interests of both nations, to broaden rather than narrowly restrict the activities of international banking. Hence, we pose this question for your consideration:

Is it feasible to eliminate the restrictive provisions of the New York State Banking Law covering deposit functions of alien banks? Such action would be most welcome, not only by Japan but by other major powers, and might prove an important step in stimulating United States private foreign investment in line with the foreign economic policy of the United States Government.

Frank A. Waring, Economic Counselor of Embassy, Tokyo, has seen this letter and concurs without reservation.

Sincerely yours,

W. W. Diehl
Financial Attache

Mr. Randolph W. Burgess,
Special Assistant to the
Secretary of the Treasury,
Treasury Department,
Washington, D.C.